

City Light Issue Paper (CLIP) Georgetown Steam Plant Flume Property Ground Lease to The Boeing Company

Date of this Brief	June 18, 2012		
Supersedes	N/A		
Key Contacts			
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Council Action Required?	Y	If YES, within the next 3 months?	
Public Hearing Required?	Y		
Presenters (if applicable)	Lynn Best and Dave Barber		

Summary Statement

This legislation declares certain real property rights surplus to utility needs; and authorizes the Superintendent or his designee to execute a 19-year ground lease with The Boeing Company for the use and occupancy of a portion of the City's Georgetown Steam Plant Property.

Background

The City of Seattle, under the jurisdiction of City Light, is the owner of a certain parcel of real property, King County Tax Parcel Number 700670-0570, commonly known as the Georgetown Steam Plant Flume Property. The Boeing Company and King County own the surrounding parcels, containing Boeing's airplane manufacturing facilities and the King County Airport.

The Boeing Company has historically leased a portion of the Flume Property from the City, under the following leases:

1. Two leases dated May 15, 1953, authorized by Ordinance 81931, expired December 31, 1992; and
2. One lease dated October 1, 1955, authorized by Ordinance 84344, expired December 31, 1992.

Seattle City Light and Seattle Public Utilities completed a cleanup of environmental contamination of the Flume Property in September, 2009 at a cost of \$2.5 million, as part of the City's source control efforts for the Duwamish Waterway Superfund Slip 4 Early Action Area Remediation Project.

Within the last year, as an additional source control effort within the Duwamish Waterway Slip 4 cleanup, pursuant to EPA order and under a Temporary Construction Easement granted by City Light, Boeing constructed a new North Boeing Field Drainline through the City's Flume Property. Boeing is purchasing a permanent easement from the City for this drainline, to be authorized under separate legislation.

The renewal of the three expired leases was delayed while the City and Boeing resolved liability issues for the Flume Property cleanup, and later during negotiations for Boeing's construction of the new North Boeing Field Drainline through the Property.

The liability issues have now been resolved and construction of the new North Boeing Field Drainline completed under the temporary easement agreement. Boeing and the City would now like to enter into a new ground lease agreement for the Flume Property, for a 19-year term, with two optional five-year extension periods. The 19-year term coincides with the expiry of Boeing's leases with King County for various properties in the vicinity.

Key Issues

- The City will receive true and full market value for the leasehold rights it is conveying to Boeing. The initial rent is \$250,764 per year.

Next Steps

Billing will be set up with accounts receivable, and rent payments from this lease will be placed into the City Light Fund.